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Abstract

Companies face many competitive pressures that demand both efficiency and effectiveness. These pressures include rapid changes in technology and industry structure as well as in the competitive environment of firms, e.g. global markets. Biotechnology is a good example of a major change force that has affected many industries, most importantly pharmaceutical industry.

The aim of this study was to explore network strategy of an innovative SME in the context of biotechnology industry. The purpose was to describe the phenomenon of networking and firstly, to understand why networking is generally taking place, secondly, to understand how firms create, develop and manage their relationships, and thirdly, to understand what is the role of networking for a young drug discovery company (DDC).

The theory part of this study was based on competency theory which evolved into the distributed competency theory. This theory explains why organizations get involved in networking. Network strategy on the other hand defines the framework for creating, developing and managing external collaborative relationships. Network strategy consists of two main components, relationship portfolio and network position. The theory part also presented various collaborative forms present in biotechnology industry and the role of investors in firms' networking efforts. The subject was studied in two critical business functions for a biotech, R&D and finance. Also, the portfolio of competencies needed in managing an innovative SME was presented.

Qualitative research methods were chosen to conduct the empirical part of the study. The role of the case company, Hormos Medical (HM), was simply supportive. HM is a world class biotech company specializing in the discovery and development of pharmaceutical products for the hormonal prevention and treatment of certain age-related diseases. HM has extensive relationship networks with various organizations and its R&D processes are based on a network model. Indeed, networking and network strategy are crucial for the success of the firm. There is a good level of network competence in the organization which is a must in implementing successful network strategy. The very reliance on outside relationships in acquiring complementary resources together with the success of the company are solid proofs of that.

Based on this study it can be concluded that companies should focus on three things in pursuing for successful network strategy: 1) to acquire network competence 2) to make a clear choice about where it will build competence leadership 3) to find the right balance between exploitation and exploration in their relationships. Network strategy should not be seen separately from the overall strategy of the firm. Thus, as the firm is growing also the network strategy is evolving and it can be seen to have its own growth cycle.

Key words	Core competencies, networking, network strategy, SME, biotechnology
Further information	